1.0 INTRODUCTION

There has always been some form of insurance in India, though most of it was of an informal nature. The formal insurance business as we know it today in both the life as well as the non-life sector was introduced in India by the British in the beginning of the 19th century. General insurance business in the country was nationalised in 1973.More than 100 non-life insurance companies including branches of foreign companies operating within the country were amalgamated and grouped into four companies,viz., National,New India,Oriental and United India Insurance Company Ltd. In 1999, Insurance sector has been opened up for competition for Indian private insurance companies with the enactment of Insurance Regulatory and Development Authority Act, 1999 (IRDA Act). One of the compelling reasons for nationalisation of general insurance business in India was the unhealthy competition among the insurers. Accordingly, the market was opened and currently there are 20 new players in the two sectors of insurance. The insurance industry in India has been progressing at a rapid pace since opening up of the industry in 1999. Big changes have occurred over the last ten years, during which the sector was opened to private participation. The introduction of private players in the industry has added value to the industry. The initiatives taken by the private players are very competitive and have given immense competition to the public sector. After the entry of the foreign players, the industry is seeing a lot of competition and improvement of the customer service in the industry. Computerisation of operations, innovative products and updating of technology have become imperative in the current scenario. Private players are bringing in international best practices in service through use of latest technologies. Developments in insurance thus attracted particular attention and keen concern from the opponents as well as proponents of reform in general, and insurance in particular.

2.0. STATEMENT OF THE PROBLEM

Liberalization, Privatization and Globalization have opened new horizons in the insurance industry. The reform of Indian insurance sector have brought substantial changes in the level of competition, business environment, managing strategies, service quality and the

advance technology front. But the most important change that is required is in the mindset of the players vis -a –vis the customer. Experience has already shown that quality of service is the influencing factor in the market and in fact, only those units will survive which offer to the customer what he wants, and to his satisfaction. For the old, established, public sector companies, it is a question of revolutionizing the very approach to the business. For the new players also, it means an attitudinal change, because they have to depart from the systems, procedures and attitudes of the public sector so that the customer will be better served. The insurance industry has offered a new customer friendly products, new delivery channels like bancassurance, corporate agents, brokers and direct selling through the internet, greater use of computerization and information technology etc. The public sector general insurance companies have made both quantitative and qualitative progress in the post-liberalisation period. The private companies have proved to be more innovative and have introduced competitive products with specialised features, especially for personal lines policies. For example, they have pioneered health insurance products similar to Mediclaim, including critical illness covers where the insurer pays the sum assured on the diagnosis of any one of the ten identified critical diseases. The rapid expansion of insurance companies since nationalization has given rise to a number of problems relating to the image, operational efficiency, productivity, and the quality of portfolio of the system as a whole. They had been receiving persistent complaints about deterioration in the customer service. Since the onset of the reform, public sector insurance companies have been compelled to review their mechanism in order to compete with private sector companies. Large number of initiatives have been taken by the public sector companies to compete with private sector companies. But still the public sector companies need to reassess their present status after having modified their approach. The reform at this stage need to be reviewed in order to assess general insurance companies growth and performance. So the research problem attempted is to evaluate a comparative study of the performance of the public and private sector general insurance companies in the post-liberalisation era.

3.0 OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

1. To review the major initiatives towards opening up of the insurance industry in India.

2. To study the general insurance sector in India in the post reform period.

3. To analyse the comparative performance of the public sector and private sector general insurance companies.

4. To know the satisfaction level of the customers after opening the sector to private parties.

4.0. HYPOTHESIS

To achieve the objectives of the study, the main hypotheses formulated for the present study are as follows:

1) The efficiency, productivity and profitability of the private sector general insurance companies is higher than that of the public sector general insurance companies in the post-reform period.
2) The private sector general insurance companies are providing better service &satisfaction to customers than the public sector general insurance companies.
3) The privatisation of the insurance sector has had a lasting impact on the performance of public sector insurance companies.

5.0 UNIVERSE

The universe of the study is all general insurance companies operating in India but due to non-feasibility the scope of the study has been restricted to two general insurance

companies, i.e, one company from the public sector, namely, National Insurance Company Ltd. and one from the private sector companies, namely, ICICI Lombard General Insurance Co. Ltd.

6.0 SAMPLE SIZE

For the sample survey, Ernakulam district of Kerala has been taken as the sample area. Sample size comes to a total of 500, of which 248 from the public sector and 252 from the private sector.

7.0. SAMPLING TECHNIQUE

One each from public and private sector selected for the study. The private sector company is selected on the basis of their year of registration. For the purpose of uniformity, top one private sector general insurance company registered on the basis of their market share was selected. The primary data was drawn from customers of both public and private sector general insurance companies in Ernakulam district. 500 customers were approached to collect the required data for the study. 248 from the public sector and 252 from private sector. The sample selected by random method, listing out the policy holders both in public and private separately and selecting every 2nd item in each sector to form the sample. So sampling technique employed is systematic sampling.

8.0 TOOLS FOR DATA COLLECTION

This study is based on primary as well as secondary data. The primary data has been collected with the help of structured questionnaire and interview schedules. The secondary data have been collected from various books, journals, Annual Reports of IRDA, General Insurance Corporation Annual Reports, Magazines, News letter and official websites.

9.0. TREATMENT OF D ATA

After collecting the entire information, the data were properly classified,processed,tabulated, and necessary statistical package was used to analyse the

data. Various statistical tools like averages, percentages,chi-squre test,regression,correlation,Pie diagram,bar diagram etc were made use of to interpret the data effectively and vividly.

10.0 PLAN OF THE STUDY

For the purpose of convenience, the study is arranged into seven chapters.

The chapter scheme is as follows.

Chapter I

The first chapter gives an introduction to the topic explaining the statement of the problem ,purpose of the study,objectives,methodology used and scope of the study.It also describes the technical aspects like methods and techniques used in the study.

Chapter II

The second chapter deals with the review of literature. Review of literature has been conducted at three levels-review of books with an international perspective, national perspective and with regional perspective. It includes the role, challenges, prospects, reasons for opening up of the insurance industry and other aspects of insurance sector.

Chapter III

The third chapter deals with the evolution of insurance sector, major initiatives towards opening up of the insurance sector & reform process in the general insurance sector and profile of the general insurance companies.

Chapter IV

The fourth chapter deals with the comparative analysis of general insurance industry in the post reform period. It includes international comparison of insurance penetration, insurance density, insurance premium, market share etc. in the post reform period .

Chapter V

The fifth chapter deals with the analysis of public and private sector general insurance companies. This chapter analyses the efficiency, productivity and profitability of public and private sector general insurance companies from 2001-2010.

Chapter VI

The sixth chapter deals with the empirical study of satisfaction level of policyholders both in public and private sector general insurance companies.It analyses satisfaction of customers in the premium, service of staff, claim settlement and also includes customers perception regarding opening up of the sector.

Chapter VII

The Seventh chapter deals with important findings and conclusions of the study.The conclusion reveal the comparative performance of public and private general insurance companies.The researcher has put forward some recommendations to improve the performance of both public and private sector general insurance companies.

11.0 MAJOR FINDINGS

The major findings of the study are as follows.

1. The study found that the insurance penetration in India is lower than the industrialised countries.Insurance density is markedly lower in most emerging markets compared to industrialised countries.India is way behind many other countries in this respect also.The general insurance density in India has increased from $2.4 in 2001 to $6.7 in 2009, while in the case of United States, it increased from $1664.1 to $2107.3 during the same period. Even the developing countries like China, Brazil and Russia registered an impressive growth in the general insurance density. A world-wide increasing trend in the general insurance density from $158.3 to $253.9 can be observed during 2001-2009. General insurance penetration and density in India is too low as compared to

the world levels. It seems that even the reform process has failed to provide the desired results despite the fact that Indian insurance sector is still unexplored and untapped.

2. The growth rate of public sector general insurance companies in terms of gross direct premium has been higher during the pre-reform period than the post-reform period. There is an upward trend in gross direct premium income of the public sector general insurance companies in post-reform period. New India Assurance emerged as the largest public sector general insurance company during all the years of pre-reform period followed by United India Insurance, Oriental Insurance and National Insurance companies.

3. The study also reveals that the market share of all the public sector general insurance companies decreased sharply due to the entry of private companies in the field. New India Assurance emerged as the largest public sector company during the pre- and post-reform periods. However, United India insurance from its second place slipped to the fourth and market share of about 20 per cent during the pre-reform period to 13 per cent in 2009-10. Oriental General Insurance Company which was at the third place during the pre reform-period maintained the same position, but National Insurance Company from its fourth place climbed to the second.

4. The study shows that in 2000-01, the market share of public sector was 99.93 per cent and that of private sector was only 0.07 per cent. However, in 2009-10, the market share of the public sector came down 59.62 per cent and that of private sector increased to 40.38 per cent. It shows that 40. 38 per cent of the market share was captured by the private sector in terms of gross direct premium. The public sector general insurance companies have experienced a large branch expansion network since opening up, but the quantitative expansion has not always been matched by a corresponding improvement in the performance. Even the large numbers of initiatives taken by the public sector companies have failed to meet the competition thrown by the private sector. As a result, the market share of public sector companies has declined greatly.

5. The gross premium of the non-life insurance business within and outside India grew from Rs.10499.02 in 2001 to Rs.35815.85 (Rs.in crore) in 2010.The performance of private sector general insurance companies in terms of gross direct premium has been higher than that of the public sector. The private players' contribution to gross premium is increased from Rs. 7.14 crores to Rs.13977.00 while that of public players is Rs. 10491.88 crores to Rs. 21838.85 during 2001 to 2010.

6. Sector wise analysis of the four public players in terms of gross direct premium shows that both in pre and post reform period, it is the performance of New India that carries the team as a whole to high growth. The other three players are nowhere near its growth rate, the nearest one being United India. This shows that there is a glaring disparity among the public player's contributions. It is difficult to pinpoint the reasons for it in the absence of more information on their relative department-wise performances. In the private Sector it is obvious that it is the private players' performance that is pushing up the market boundaries in premium volumes.It shows that the private players are taking the lead in widening the market base despite their handicap of lack of infrastructure, inadequate man-power and low-capital base.

7. The study found out that percentage of respondents taking their policy from public sector decreases as income increases. It is found that those who have annual income of more than Rs.1,00,000/- are more interested in taking policies from the private sector. And majority who purchase policies from the private sector fall in the age group between 25-45 years. This shows that young population are more interested in private sector. But aged group are more interested in taking policies from the public sector, because their mind is already set to the feeling that security& safety is more in the public than in the private sector.

8. Regarding customer perception towards claim settlement, study found that 87 respondents (35.08%) from the public sector are positive in their response regarding claim settlement. They responded that they got claim amount in less than 1 month. Among the private sector companies, 137 (54.36%) customers are found to be satisfied because they got the claim amount in less than 1 month. It has been found that the private insurers have

less formality to follow while making a claim settlement, and also have an easy and quick process to complete the formalities. It has been observed that the service provided by a general insurance company at the time of taking a policy is, no doubt, of better quality than that provided at the time of settling a claim. Therefore, strong, expeditious, and fair claims-handling strategy and machinery must be put in place to deal with the increased volume of business and increased claims.

9. The study found out that customer satisfaction level is good in the case of private sector but it is average in the case of public sector. Customer satisfactions of the public and private insurers are 3.14 and 2.74 respectively which fall between average and satisfied categories.

12.0 LIMITATIONS OF THE STUDY

The responses for the study have been limited to the district of Ernakulam in Kerala only. The perceptions of the customers in satisfaction level of their concern company in Ernakulam district may vary from those of the rest part of the state.

The customers of only two general insurance companies were selected for the present study to compare satisfaction of the public and private sector. As a result, the generalization of the findings of the present research should be considered carefully.

The present research explores the key dimensions of satisfaction in the general insurance industry but there may the possibility of missing other dimensions influencing the consumers' perceptions.

The information collected for the secondary data based study carries all the limitations inherent with the secondary data.

This research work assessed only the technical efficiency, but other efficiency indicators could not be assessed due to unavailability of data from general insurance companies.

13.0 POLICY IMPLICATIONS

The present study highlights the dynamic changes in the general insurance sector. Despite the fact that general insurance business has been growing at a healthy rate, its penetration level is just 0.60% of India's GDP against world average of 2.14. Indian insurance sector is still unexplored and untapped. The vast potential is waiting to be tapped. Both public and private sector companies should concentrate to tap these uninsured ones. For this, the industry will have to tackle a variety of challenges. They include bringing about a vast improvement in the quality of service, broadening the range of products, capturing more market share, designing the product to suit the Indian market, improving geographical and market reach etc. Competition has already set in and public sector & private sector players should take steps to recapture the market by changing their strategy in the above lines. At the same time IRDA & the Government should watch vigilantly the regulations with regard to entry into insurance business, sound practices, capital adequacy, transparency of operations and protection to the insurance customer.

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